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C O N F I D E N T I A L BUENOS AIRES 000470

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EB/TRA FOR JEFF HORWITZ
EB/TRA/OTP FOR BIRD MATTINGLEY
CA/OCS/ACS/WHA FOR SHRILEY CRAWFORD
FAA WASHDC FOR LEEANN HART

E.O. 12958: DECL: 02/24/2016

TAGS: [EAIR](#) [ECON](#) [AR](#)

SUBJECT: ANOTHER AEROLINEAS ARGENTINAS STRIKE REMAINS A
DISTINCT POSSIBILITY

REF: (05) BUENOS AIRES 3008

Classified By: Ambassador Lino Gutierrez for reasons 1.4(b) and (d).

Summary

¶1. (C) The threat that the November 2005 strike will repeat itself on or after March 1 remains a distinct possibility. The pilots' and mechanics' unions entered salary negotiations with the national flag carrier on December 2, 2005, at the conclusion of a 9-day strike. Under the GOA-brokered settlement that ended the strike, Aerolineas and the unions agreed to a 90-day period of salary negotiations. Aerolineas agreed to provide partial pay increases, and the unions agreed to refrain from work stoppages during the period. The 90-day negotiating period ends on February 28 according to Aerolineas, but ends on March 1 according to press accounts. Secretary of Transportation Ricardo Jaime has submitted a

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plan to allow a phased-in 20-percent tariff increase which would begin to take effect as early as April 17. As of February 27, however, the GOA has not approved Jaime's proposal. Aerolineas has not indicated whether it can fund the salary increases between now and the expected date when Secretary Jaime's increased tariffs would take effect. The

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pilots' union representatives have indicated that Jaime's proposal will not meet the pilots' salary demands. End
Summary.

The November 2005 Strike

¶2. (C) Pilots and mechanics working for Aerolineas Argentinas initiated a strike over salary increases on November 24, 2005. The strike lasted nine days and delayed air travel for, or stranded, more than 80,000 passengers. The Ministry of Labor called for the two sides to negotiate their differences at the outset of the strike. On November 29, Labor warned the pilots' and mechanics' unions, APLA and APTA respectively, that they would be fined 10.5 million

pesos for failing to participate in the mandatory conciliation meetings for which the ministry would be the arbiter. APLA and APTA continued to strike nevertheless. (Note: Under Secretary for Labor Relations Guillermo Navone clarified that the unions' actions are subject to review by an investigations board before a fine is imposed. To date, Labor has not imposed fines related to the November 2005 strike on either APLA or APTA. End Note.)

13. (C) Cabinet Chief Alberto Fernandez called a meeting in the Casa Rosada on December 1, 2005, with representatives of APLA and APTA to meet with Gerardo Diaz, a principal shareholder of the Spanish firm Marsans, which manages Aerolineas. (Comment: Whether Aerolineas' president Antonio Mata withdrew himself from the negotiations or was pressured to abandon the settlement discussions remains unclear. Aviation sector consultant Pat Seidel suggested that the Casa Rosada called for Diaz to replace Mata in the settlement process because President Kirchner dislikes Mata. Seidel observed that Mata refused to offer Aerolineas' services to Kirchner's dark-horse presidential campaign in 2003, but Mata did offer to assist the Menem campaign. Seidel speculated that Diaz was involved in the settlement instead of Mata because Kirchner had not forgotten Mata's "unfortunate slight." End Comment.) The terms of the offer that Fernandez presented were: that the two sides would have 90 days to negotiate salary issues; that APLA and APTA would refrain from work stoppages during the negotiating period; and that the GOA would consider allowing a tariff increase. Diaz also offered the pilots and mechanics short-term pay increases, which would be retroactive to the beginning of the strike. APLA and APTA presented the terms of the proposed settlement to their respective members, who accepted the offer on December 2.

Nearing the End of the "90-Day Fuse"

14. (C) Aerolineas Argentinas Director for Corporate Planning and Business Development Daniel Burlas told Econoff on February 27 that the demands for increased salaries, 45 percent for the pilots and 75 percent for the mechanics, are reasonable in principle. He said, however, that the company has lacked the resources to provide salary increases since early 2002 when the GOA placed restrictions on the airline's ability to increase tariffs. Burlas expressed his doubts that APLA and APTA had entered the negotiating period last December in good faith. He said the "unions' commitment to refrain from striking was just a bomb with a 90-day fuse." He has also criticized the unions' approach as "not so much negotiating as trying to gut the company." Burlas told Econoff he was not personally optimistic that a strike could be avoided, since APLA and APTA had refused the airline's most recent offer on February 7. He nevertheless mentioned that "a representative of Marsans will come to Buenos Aires on March 2 to continue the negotiations."

15. (C) The Ministry of Labor has announced that it will convene a meeting between the airline and the unions representatives on March 1. Burlas noted that Marsans is interested in discussing the details of the GOA's proposal on tariff increases which Secretary of Transportation Ricardo Jaime has drafted. News reports state that the plan calls for a phased-in approach which would ultimately produce a 20-percent increase in domestic tariffs. Jaime's proposal reportedly takes the GOA's inflation concerns into consideration by suggesting that the initial increases would become effective as early as April 17. (Comment: The GOA would reap a dual benefit from this approach. First, it would postpone any inflationary effects associated with higher airline tariffs. Second, it avoids generating discontent before the typically heavy-travel season of Holy Week, which is the week of April 10 this year. End Comment.) APLA representatives, however, have stated that Jaime's

plan, if approved, "would not be sufficient to meet the increased salary demand." APLA and APTA representatives have reportedly discarded the prospects that a final session with Labor will meet their members' demands, and they have not ruled out initiating another strike.

Comment

¶6. (C) The threat that the November 2005 strike will repeat itself on or after March 1 remains a distinct possibility even though Marsans has announced that one of its representatives will be in Buenos Aires on March 2 for more salary negotiations. APLA representatives have announced that Secretary Jaime's proposal on increased tariffs will not satisfy the pilots' demands for higher salaries. Inflation concerns may preclude the GOA's approval of Jaime's tariff proposal. The GOA may decide to employ alternate measures such as reduced airport fees or reductions in value-added tax remittances that airlines collect during ticket sales.

¶7. (U) To see more Buenos Aires reporting, visit our classified website at:
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GUTIERREZ